

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Monday 12 December 1977 CG NIDC 77/287C

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State Dept. review completed

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National Intelligence Daily Cable for Monday, 12 December 1977.

The NID Cable is for the purpose of informing senior US officials.

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ITALY: Political Situation

25X1 [] Despite their limited room for maneuver, Italian politicians are debating whether to alter or replace Prime Minister Andreotti's government, which has been in office since August 1976. No consensus has emerged on what, if anything, should be done. Although many Christian Democratic politicians oppose further concessions to the Communists, the party's principal leaders do not seem particularly disturbed that most of their proposals for change would carry the Communists a step closer to a formal share of power. Key political leaders may be probing in the meantime for US views on the Italian situation.

25X1 [] No one is yet pushing hard for a change, but dissatisfaction appears to be growing in labor, business, and political circles with Andreotti's Christian Democratic minority government, which relies for its survival on the parliamentary abstention of the Communists and four other parties. While admitting, for example, that Andreotti's policies have helped stabilize the lira, improve the balance of payments, and cut inflation, many business and labor leaders oppose his plan for continued economic austerity, arguing that it risks higher unemployment and zero growth.

25X1 [] The pressures on Andreotti from political circles are more subtle and complex. On the one hand, the Socialists and Republicans are arguing that Italy's problems require a broadly based emergency government involving all of the major

parties, including the Communists. On the other, some of Andreotti's Christian Democrats accuse him of making too many concessions to the Communists.

25X1 [] Such complaints from the Christian Democrats seem, however, to be the exception rather than the rule. Although they do not seem ready to accept the emergency government formula, many key Christian Democrats appear resigned to growing cooperation with the Communists.

25X1 [] As Italian leaders sort out their options, they may be probing for US reactions to the growing accommodation between the Christian Democrats and Communists. For example, Moro's ideas on future developments have been conveyed by an aide who knew the information would probably reach US circles. A Christian Democratic undersecretary in Andreotti's government, moreover, recently arranged for Luciano Lama, chief of the Communist-dominated labor confederation, to be present at a dinner to which the US labor attache was invited. Lama took the opportunity to argue forcefully that the Communists pose no threat to Italy's Western orientation or democratic traditions.

25X1 [] Some indication of how the current ferment will affect Andreotti may come this week when he meets formally with the top leaders of the three major labor confederations. The unions, which recently mounted a major strike in Rome to protest government policies, are threatening a general strike if Andreotti does not agree to ease up on economic austerity.

PANAMA: Government Planned March

25X1 [] //A women's march planned for today into the Canal Zone to support US ratification of the canal treaties marks Chief of Government Torrijos' first effort, since Panama's October plebiscite approving the treaties, to move cautiously beyond rhetoric in pressuring the US.//

25X1 [] //Torrijos originated the idea for the march, [] It is being carried out by a sporadically active women's front for a Marxist group that cooperates closely with the government. Torrijos' sister has reportedly helped organize the effort.//

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[redacted] Newspaper estimates of 5,000 marchers seem too optimistic. The demonstration has already been postponed once because of apparent organizational problems. The planners hope to take advantage of nationalist sentiments on today's anniversary of the 1947 rejection by Panama of a military base treaty with the US. [redacted]

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CHINA-BURMA: Teng's Foreign Trip

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[redacted] *//Chinese Vice Premier Teng Hsiao-ping apparently has accepted an invitation to visit Burma next month. The visit will mark Teng's first foreign travel since he returned to office last summer and indicates that Peking is interested in further improving official relations with Rangoon. The visit also underscores China's growing involvement in Southeast Asian affairs.//*

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[redacted] *//Contacts between the Chinese and Burmese have increased since Mao's death. Ne Win traveled to China twice to raise the question of Chinese support to the insurgents, long the principal obstacle to better relations between the two countries. Teng Ying-chao, Chou En-lai's widow, visited Rangoon last February and said that past strains in relations between the two sides were due to the influence of the gang of*

25X1 four. [REDACTED]

25X1 [REDACTED] //Chinese apparently have also accepted a Burmese invitation to follow up Teng Hsiao-ping's visit with a high-ranking Chinese military delegation to Rangoon. This is additional evidence that Peking is anxious to demonstrate that it places a higher value on official relations than on support of the insurgents.//

25X1 [REDACTED] //Other Southeast Asian capitals, where the common view has long been that China's connections with the Burmese rebels are an example of Peking's subversive intentions in the region, will watch Teng's visit carefully for signs of improvement in Sino-Burmese relations.//

25X1 [REDACTED] //Teng's coming trip seems to be part of a pattern of increased Chinese activity elsewhere in the region. In recent weeks, the Chinese have received visiting Vietnamese Premier Le Duan and Cambodian Prime Minister Pol Pot. Vietnamese Vice Foreign Minister Phan Hien left Peking on Wednesday after a lengthy visit. Chinese Politburo member Chen Yung-Kuei is now in Cambodia, following a recent visit there by Burma's Ne Win. Kriangsak Chamanan, Thailand's new Prime Minister, plans to visit Peking next year.//

25X1 [REDACTED] //While it is unclear how much of this activity results from Chinese initiatives, Peking clearly sees it as the best opportunity since the end of the war in Indo-
25X1 china to increase its influence in the region. [REDACTED]

USSR: Agricultural Specialists Shifted

25X1 [REDACTED] *This year's disappointing Soviet grain harvest--which at 194 million tons falls 19 million tons below plan--has caused Soviet planners to grant new incentives to increase the number of agricultural experts at the farm level. The plan may, however, fall victim to administrative foot-dragging.*

25X1 [REDACTED] A joint party-government decree provides for the long-term transfer of more specialists into middle-level management on both collective and state farms. The decree states

that efficient agricultural production requires working-level leadership by qualified specialists who understand both the technology and the economics of farming. The decree is aimed at bringing a large pool of agricultural specialists--now isolated in quasi-administrative positions--into direct responsibility for farm production.

25X1 [] To make the shift attractive, farms can guarantee the specialists their current salaries for up to two years. Other incentives include living quarters made available "on a priority basis" and the opportunity to purchase cars and motorcycles. Income after two years, however, will depend on the output achieved by individual production teams. The specialists will, in turn, control the bonuses their team workers win for successful fulfillment of production goals.

25X1 [] Agriculture uses one quarter of the Soviet labor force, compared with less than 5 percent on US farms, but workers trained in modern farming techniques are in short supply. Professionally trained agricultural specialists prefer the security of administrative positions or, in some instances, work outside the agricultural sector. They have resisted production-oriented farm jobs because these meant lower prestige and uncertain income.

25X1 [] The new policy may meet some resistance at the local level because many of the specialists have only limited practical expertise and are likely to be resented by experienced team members. Quality farming techniques will still require coping with a shortage of skilled workers needed to operate and maintain modern farm equipment. The success of the program will also be hampered by the chronic shortage of essential material--machinery, equipment, buildings, and chemicals. []

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INTERNATIONAL: Bauxite Pricing

25X1 [] *The International Bauxite Association met in Jamaica this week and adopted a pricing formula that will set the average delivered price of bauxite in the US and Canada next year at a minimum of \$24 per ton. The agreement, representing the IBA's first concerted pricing action, could mean slightly higher costs for alumina (refined bauxite) to US aluminum companies*

next year. The magnitude of the price rise will depend on how Australia interprets the accord. Australia's bauxite prices to non-US markets will almost certainly rise in any case.

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Although the accord does not cover alumina directly, the IBA clearly hopes that it will induce Australia to boost its alumina price substantially. Australia does not sell bauxite to the US because the transportation costs are too high.

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The accord caps a four-year effort primarily by the Caribbean producers to induce Australia to bring the price it charges the US for alumina more nearly in line with their prices. These countries, in individual tax actions, have more than doubled their charges for bauxite and alumina since 1973. Other producers, including Australia, have increased prices more gradually.

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Australia now has 24 percent of the US market for these commodities, compared to only 19 percent in 1973. Its lower price for alumina--25 percent below that of Jamaica, the other main US supplier--accounted for this increase. Consequently, the Caribbean producers' share of the US market fell from 70 percent in 1973 to 54 percent.

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The present IBA pricing action is moderate, reflecting a softening in the demand for aluminum because of lagging economic recovery in the industrial nations. The US currently is paying an average \$30 per ton for imported bauxite. The members apparently hope that the present agreement will set the stage for further producer action when the aluminum market is stronger.

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Although IBA members control 75 percent of world bauxite production, they are unlikely to undertake cartel-like actions such as restricting supplies to raise prices. The IBA's charter specifically prohibits such action. Moreover, these countries' control of bauxite supplies is eroding as production is developed in countries like Brazil that so far have been unwilling to join.

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Members voting on the price action were Australia, the Dominican Republic, Ghana, Guinea, Guyana, Haiti, Jamaica, Sierra Leone, Surinam, and Yugoslavia. Indonesia did not attend.

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BRIEFS

USSR

25X1 [redacted] The Soyuz-26 spacecraft, piloted by Air Force Lt.
Col. Yuriy Romanenko and civilian flight engineer Georgiy
25X1 Grechko, successfully docked with the Salyut-6 space station
early yesterday. According to TASS, Soyuz-26 docked with the
station's "second docking assembly." [redacted]

25X1 [redacted] TASS reported that the Soyuz-26 mission would in-
25X1 clude "maintenance, inspection, checking, and testing of the
other docking assembly." [redacted]

25X1 [redacted] The Soyuz spacecraft [redacted]
25X1 [redacted] was the Soviets' third
manned space shot this year and their second space launch in
two months. [redacted]

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[redacted]

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